

**MAKHUDUTHAMAGA MUNICIPALITY**

ANNUAL FINANCIAL STATEMENTS  
30 JUNE 2007



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## GENERAL INFORMATION

### MEMBERS OF THE EXECUTIVE COMMITTEE

<i>The Mayor:</i>	QE MOKHABELA		
<i>The Speaker:</i>	MM BAHULA		
<i>Councillor:</i>	LJ MOSOTHO	<i>Councillor:</i>	E MNDEBELE
<i>Councillor:</i>	M MANKWANA	<i>Councillor:</i>	GR MONAMA
<i>Councillor:</i>	NB KGALEMA	<i>Councillor:</i>	R MAISELA
<i>Councillor:</i>	P VILAKAZI	<i>Councillor:</i>	MI LENTSOANE
<i>Councillor:</i>	A MATLALA		

### GRADING OF LOCAL AUTHORITY

Grade 1

### AUDITOR

Office of the Auditor-General

### BANKERS

ABSA Bank, Polokwane

### REGISTERED OFFICE

Jane Furse Plaza  
JANE FURSE  
1085

P.O. Box 713  
JANE FURSE  
1085

Telephone: 013 265 1262/1177  
Facsimile: 013 265 1975

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### MUNICIPAL MANAGER

Mr. R. Sekonya was appointed on the 1st of December 2001.

### CHIEF FINANCIAL OFFICER

Ms. Edwina Moyaba was appointed CFO in 1st of June 2004.

### APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 to 28 were approved by the Municipal Manager on

MUNICIPAL MANAGER  
(Accounting Officer)

CHIEF FINANCIAL OFFICER

**MAKHUDUTHAMAGA MUNICIPALITY  
FOREWORD**

**BY  
THE HONOURABLE MAYOR COUNCILLOR QE MOKHABELA**

As Makhuduthamaga Municipality, our focus has always and will always be to provide quality services so as to promote socio-economic development to communities in an equitable and sustainable manner through Integrated Development Planning (IDP) in the spirit of cooperative governance and effective administration. One major predicament/challenge, which we were able to overcome, has been to continue educating our people about our existence as a municipality including our roles.

These financial statements reflects our focus on infrastructure development, as the bulk of our spending was towards community electrification, water reticulation and road construction. We have received Municipal Infrastructure Grant (MIG), which will assist the Municipality to meet its long term goal of community development and poverty alleviation.

Makhuduthamaga Municipality was identified as one of the beneficiaries of project consolidate initiative. The Municipality is facing numerous challenges with regard to fulfilling its Constitutional mandate to its residents. The project will focus mainly in enhancing its policies and procedures that will promote good governance as well as ensuring that the Municipality meets its own objectives.

Despite our achievement, we still have a rocky path ahead of us, but by unleashing our full potential and encouraging unity we shall definitely succeed.

My humble appreciation goes out to our communities and all the stakeholders, who have always shown support and encouragement in terms of attending public participation forums, etc. We shall always value their courteous and continuous support.

I would like to express my deepest gratitude to everyone within the municipality who worked tirelessly to the compilation of this report.

**MAYOR  
Q.E. MOKHABELA**

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## REPORT FROM THE AUDITOR - GENERAL

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**MAKHUDUTHAMAGA MUNICIPALITY**

**CHIEF FINANCIAL OFFICER'S REPORT**

**1. OPERATING RESULTS**

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2007 are as follows:

REVENUE	Actual 2007 R	Actual 2006 R	Variance 2006/2005 %	Budget 2007 R	Variance Actual/Budget %
Operating revenue for the year	93 433 567	67 133 204	39.2 %	114 207 096	(0.18)
Opening surplus	109 355 461	65 807 861			
	202 789 028	132 941 066		114 207 096	
<b>EXPENDITURE</b>					
Opening deficit					
Operating expenditure for the year	50 223 306	23 585 604	112.9 %	38 736 231	29.7 %
Sundry transfers				-	
Closing surplus	138 158 813	109 355 461			
	188 382 119	132 941 066		38 736 231	

The main variance between the 2006 and 2007 actuals is a result of the surplus equitable shares and conditional grants that includes MIG and PHP. Traffic income significantly to R3m, as it was generated for the whole year compare to 3 months in prior year.

The Housing projects (Peoples Housing Projects) was transferred to the municipality resulting in increased revenue and expenditure over and above the budget.

The Municipal Infrastructure Grants was now being transferred to the municipality and are no longer administered by the District Municipality.

14 406 909

**1.1. RATES, GENERAL AND HOUSING SERVICES**

###

	Actual 2007 R	Actual 2006 R	Variance 2006/2005 %	Budget 2007 R	Variance Actual/Budget %
Revenue	67 110 545	48 269 343	39.0 %	-	100.0 %
Expenditure	20 214 138	10 541 615	91.8 %	19 021 912	6.3 %
Surplus (deficit)	46 896 407	37 727 728	24.3 %	(19 021 912)	(346.5)%
Surplus (deficit) as % of total revenue	69.9 %	78.2 %		(100.0)%	

**1.2. TRADING SERVICES**

*Electricity Service*

	Actual 2007 R	Actual 2006 R	Variance 2006/2005 %	Budget 2007 R	Variance Actual/Budget %
Revenue	-	-	0.0 %	-	0
Expenditure	-	-	0.0 %	-	0
Surplus (deficit)	-	-	0.0 %	-	0
Surplus (deficit) as % of total revenue	0%	0%	0.0 %	0%	0.0 %



**MAKHUDUTHAMAGA MUNICIPALITY**

**CHIEF FINANCIAL OFFICER'S REPORT (Continued)**

*Water Service*

	Actual 2007 R	Actual 2006 R	Variance 2006/2005 %	Budget 2007 R	Variance Actual/Budget %
Revenue	-0	22 659	(100.0)%	0	100.0 %
Expenditure	3 841 390	3 371 466	13.9 %	0	0.0 %
Surplus (deficit)	(3 841 391)	(3 348 807)	14.7 %	0	0.0 %
Surplus (deficit as % of total revenue	0.0 %	(14779.1)%	(100.0)%	(100.0)%	

**2. CAPITAL EXPENDITURE AND FINANCING**

Capital expenditure of R32 304 313 was incurred, compared to R28 661 854 expended in the prior year. Details of the current capital expenditure is as follows:

<u>DESCRIPTION</u>	<u>AMOUNT (R)</u>
Vehicles	-
Roads and storm water	20 412 228
Water reticulation	4 282 176
Sewerage reticulation	-
Electricity	2 721 340
Municipal buildings	5 099 237
Other fixed assets	-
	<u>32 514 982</u>

The fixed assets were financed from the following funds:

<u>DESCRIPTION</u>	<u>AMOUNT (R)</u>
Revenue	-
Equitable share funds	15 728 070
Drought relief grant	2 835 962
MIG Funds	13 950 949
Other	-
	<u>32 514 982</u>

A complete analysis of capital expenditure is included in Appendix C.

**3. TRAFFIC**

The traffic income of R3,666,942 and expenditure of R1,185,441 increased by 100% due to the taking over of the Traffic services which was previously run by the Province on the 1st of December 2005. The Province has charged us approximately 20% of income.

**4. EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding, total investments from the various funds and cash were the following:

	2007 R	2006 R
Investments	52 315 342	43 598 904
Bank balance	4 015 231	13 694 571

There were no external loans taken out for the financial year . Investments as at 30 June 2007 amount to R52 315 342 constitute of Money Market accounts .

**MAKHUDUTHAMAGA MUNICIPALITY**

**CHIEF FINANCIAL OFFICER'S REPORT (Continued)**

**5. DEBTORS**

The Debtors database consists of 38 accounts for Water services. The main clients are businesses and Government departments. The outstanding debtors increased by 1%, which comprises mainly of Government institutions, we have assessed the recoverability to be high. We are currently engaged in discussions with DWAF and Greater Sekhukhune District Municipality in an effort to ensure that we assume the ownership and billing of the above services. Based on the current agreement, the responsibility for billing lies with DWAF, our duty is to collect the revenue as we own the infrastructure. The SLA agreement between the Municipality and DWAF has been drafted and is under discussion.

**6. FUNDS, RESERVES AND PROVISIONS**

The movement regarding statutory funds, reserves, trust funds and provisions is reflected in Appendix A.

**7. GAMAP ALLOCATION OF CASH AND INVESTMENTS**

The cash and investments at hand on 30 June 2007 amounted to R56 330 573, the main reason was the receipt of MIG Funds, outstanding Equitable share funds from Capricorn District Municipality.

The funds are therefore earmarked for the following specific purposes, according to GAMAP principles:

	<u>R</u>
STATUTORY FUNDS	-
RESERVES	-
TRUST FUNDS	-
PROVISION FOR BAD DEBTS	-
CONSUMER DEPOSITS	-
CURRENT LIABILITIES	-
FUNDS AVAILABLE FOR OTHER USES	56 330 573
	<u>56 330 573</u>

**8. GRANTS AND SUBSIDIES RECEIVED**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
Conditional Grants		
Unspent at beginning of the year	1 706 172	-
Received during the year	3 148 481	3 306 888
Spent during the year	<u>3 863 986</u>	<u>1 600 716</u>
Unspent at end of the year	<u>990 667</u>	<u>1 706 172</u>
Unconditional Grants		
Unspent at beginning of the year	5 843 989	-
Received during the year	20 842 000	12 808 039
Spent during the year	<u>15 355 189</u>	<u>6 964 050</u>
Unspent at end of the year	<u>11 330 800</u>	<u>5 843 989</u>
Total unspent grants at the end of the year	<u>12 321 467</u>	<u>7 550 161</u>

**9. APPRECIATION**

I hereby wish to thank the Municipal Manager and personnel for the support they have given me during the preparation of these statements.

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CHIEF FINANCIAL OFFICER  
Ms. E Moyaba

## MAKHUDUTHAMAGA MUNICIPALITY

### ACCOUNTING POLICIES

#### 1. Basis of presentation

- 1.1. These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities ( 2nd edition 1996, as amended )
- 1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except if otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis:  
Income is accrued when measurable and available. Certain direct income is recorded when received, such as traffic fines, certain licences and governmental grants.  
Expenditure is accrued in the year it is incurred.

#### 2. Consolidation

The balance sheet includes Rate and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, sewerage and water, which are treated as income and expenditure in the respective departments.

#### 3. Fixed assets

- 3.1. Property, plant and equipment is stated at cost, less accumulated depreciation.
- 3.2. Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- 3.3. All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from the sale of other assets are credited to the Capital Development Fund or to Income.
- 3.4. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest applicable at the time the advance is made.
- 3.5. Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 3.6. Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives:

<i>Infrastructure</i>	<i>Years</i>
Water	15-20
Sewerage	15-20
<i>Other</i>	
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	5
Furniture and fittings	5
Specialised plant and equipment	5
Other items of plant and equipment	5

## MAKHUDUTHAMAGA MUNICIPALITY

### ACCOUNTING POLICIES (continued)

#### 4. Inventory

Inventory (stores and materials) is valued at the lower of cost, determined on a FIFO (first in- first out) basis, and net realisable value.

Redundant and slow-moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

#### 5. Funds and reserves

##### 5.1. *Capital development fund*

The Capital Development Fund Ordinance no 9 of 1978 requires a minimum contribution of 1,0% of the defined income for the immediately preceding financial year.

##### 5.2. *Land trust fund*

The Land Trust Fund is used to finance the acquisition of land for housing projects. When land owned by the Council is sold, all proceeds therefrom are credited to the Fund.

#### 6. Provisions

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts involved cannot be determined with substantial accuracy. Provisions are made for leave payments, audit and bad debts.

#### 7. Surpluses and deficits

Any surpluses or deficits arising from the operation of the water services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

#### 8. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in Circular 1 of 1994 issued by the Provincial Administration.

#### 9. Comparative figures

Certain figures in the financial statements were regrouped.

#### 10. Revenue recognition

Revenue from the sale of water is recognised when either a meter reading has been performed or an estimate of consumption is raised on a provisional basis.

Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

Revenue from fines is recognised when payment is received, and the revenue from the issuing of summons is recognised when collected.

Amounts received from government and donors are recognised as revenue. Amounts in respect to capital expenditure are reinforced into investments accounts.

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**MAKHUDUTHAMAGA MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2007**

	Note	2007	2006 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		541 345	541 345
Reserves	1	541 345	541 345
RETAINED SURPLUS	10	138 158 813	109 355 461
		138 158 813	109 355 461
TRUST FUNDS	2	-	-
		138 700 158	109 896 806
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	3	80 678 268	51 285 369
INVESTMENTS	4	52 315 342	43 598 904
LONG-TERM DEBTORS	5	105 623	107 334
		133 099 233	94 991 607
NET CURRENT ASSETS		5 600 925	14 905 199
CURRENT ASSETS		16 846 076	20 426 578
Debtors	6	12 764 585	6 700 160
Bank	9	4 015 231	13 694 571
Inventory	7	66 260	31 847
Short-term portion of long-term debtors	6	-	-
CURRENT LIABILITIES		11 245 151	(5 521 379)
Creditors	8	11 245 151	5 521 379
		138 700 158	109 896 806

<b>MAKHUDUTHAMAGA MUNICIPALITY</b> <b>INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007</b>							
2006 Actual Revenue R	2006 Actual Expenditure R	2006 Surplus / (Deficit) R		2007 Actual Revenue R	2007 Actual Expenditure R	2007 Surplus / (Deficit) R	Budget Surplus / (Deficit) R
67 110 545	20 214 138	46 896 407	<b>RATE AND GENERAL SERVICES</b>	93 433 568	45 553 962	47 879 605	-
67 110 545	20 214 138	46 896 407	Community services	93 433 568	45 548 134	47 885 434	-
-	-	-	Subsidised services	-	-	-	-
-	-	-	Economic services	-	5 829	( 5 829)	-
22 659	3 371 466	(3 348 807)	<b>TRADING SERVICES</b>	( 0)	4 669 344	(4 669 344)	-
<u>67 133 204</u>	<u>23 585 604</u>	43 547 600	<b>TOTAL</b>	<u>93 433 567</u>	<u>50 223 306</u>	43 210 261	-
		-	Appropriations for the year (refer to note 10)			14 406 909	
		43 547 600	Net surplus / (deficit) for the year			28 803 352	
		65 807 861	Accumulated surplus / (deficit) at the beginning of the year			109 355 461	
		109 355 461	<b>ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR</b>			138 158 813	

# **MAKHUDUTHAMAGA MUNICIPALITY**

## **CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		31 550 368	48 774 468
Cash generated by operations	11	26 814 785	42 926 029
Investment income	11 and		
(Increase) / decrease in working capital	APPEN D 12	5 110 649 ( 375 066)	2 303 911 3 544 528
		31 550 368	48 774 468
Cash contributions from the public and State	APPEN C	-	-
Proceeds on disposal of assets	APPEN A	-	-
<b>CASH UTILISED IN INVESTMENT ACTIVITIES</b>			
Investment in fixed assets	APPEN C	(32 514 982)	(28 661 854)
Loan repayment		-	-
(Increase) / decrease in long-term debtor	5	1 711	-
<b>NET CASH FLOW</b>		<u>( 962 903)</u>	<u>20 112 614</u>
<b>CASH EFFECTS ON FINANCING ACTIVITIES</b>			
(Increase) / decrease in cash investments	4	(8 716 438)	(8 547 467)
(Increase) / decrease in cash	13	9 679 340	(11 718 274)
<b>NET CASH (GENERATED) / UTILISED</b>		<u>962 903</u>	<u>(20 265 742)</u>

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**MAKHUDUTHAMAGA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
		R
<b>1 RESERVES AND PROVISIONS</b>		
Provision for Leave	332 927	332 927
Non Distributable reserves	208 418	208 418
	<u>541 345</u>	<u>541 345</u>
(Refer to Appendix A for more detail)		
<b>2 TRUST FUNDS</b>		
Dwaf	4 005 360	-
	<u>4 005 360</u>	<u>-</u>
<b>3 FIXED ASSETS</b>		
Fixed assets cost: beginning of the year	57 042 596	28 380 742
Capital expenditure during the year	32 514 982	28 661 854
Less: Assets written off, transferred or disposed	<u>0</u>	<u>( 96 244)</u>
Fixed assets cost: at the end of the year	89 557 577	56 946 352
Accumulated Depreciation: beginning of the year	(5 757 227)	(4 171 131)
Depreciation	(3 122 082)	(1 682 340)
Less: Assets written off, transferred or disposed	<u>0</u>	
Accumulated depreciation: at the end of the year	(8 879 309)	(5 853 471)
Net fixed assets	<u>80 678 268</u>	<u>51 092 881</u>

**MAKHUDUTHAMAGA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)**

	<b>2007</b>	<b>2006</b>
		R
<b>4 INVESTMENTS</b>		
Unlisted:		
Money markets Projects	18 795 203	5 680 693
Money Markets Operations	27 238 082	35 009 563
Money Market Water	548 427	459 344
Traffic account	5 733 630	2 449 304
	<u>52 315 342</u>	<u>43 598 904</u>
<b>5 LONG-TERM DEBTORS</b>		
Motor vehicle loans	<u>105 623</u>	<u>107 334</u>
	105 623	107 334
Less: short-term portion transferred to current assets	<u>0</u>	<u>0</u>
	<u>105 623</u>	<u>107 334</u>
<b>6 DEBTORS</b>		
VAT - Control	8 356 759	3 339 590
Consumer Debtors	0	273 331
Dwarf Trust Account	4 005 360	2 869 364
Sundry Debtors	402 467	217 875
Short-term portion of motor vehicle loans	<u>0</u>	<u>0</u>
	12 764 585	6 700 160
Less: Provision for irrecoverable debts	<u>0</u>	<u>0</u>
	<u>12 764 585</u>	<u>6 700 160</u>
<b>7 INVENTORY</b>		
Consumable stores and spares	<u>66 260</u>	<u>31 847</u>
<b>8 CREDITORS</b>		
Creditors - Dwaf	4 684 293	3 610 240
Sundry Creditors	4 657 101	0
Creditors - Retention	601 325	601 325
Accruals	<u>1 302 433</u>	<u>1 309 814</u>
	<u>11 245 151</u>	<u>5 521 379</u>
<b>9 BANK</b>		
Operations Current account- 40 5038 4145	1 118 749	12 663 959
Operations projects account- 40 5436 2230	2 882 410	1 030 612
Credit cards	<u>14 072</u>	<u>0</u>
	<u>4 015 231</u>	<u>13 694 571</u>

**MAKHUDUTHAMAGA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)**

		<b>2006</b>
		<b>R</b>
<b>10 APPROPRIATIONS</b>		
<i>Appropriation account</i>		
Accumulated surplus / (deficit): beginning of year	109 355 461	65 807 861
Operating surplus / (deficit) for the year	43 210 261	43 547 600
Appropriations for the year:		
Appropriations to funds	(14 406 909)	0
Prior year adjustments	0	0
Accumulated surplus / (deficit): end of year	<u>138 158 813</u>	<u>109 355 461</u>
<b>11 CASH GENERATED BY OPERATIONS</b>		
Surplus / (deficit) for the year	43 210 261	43 547 600
Adjustments in respect of previous years' operating transactions	0	0
Appropriations charged against revenue:	(14 406 909)	
Depreciation	3 122 082	1 682 340
Provisions and reserves	0	0
Investment income (operations)	(5 110 649)	(2 303 911)
Non-operating revenue:		
Credited to funds	0	0
	<u>26 814 785</u>	<u>42 926 029</u>
<b>12 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in debtors	(6 064 426)	2 989 165
Increase / (decrease) in creditors	5 723 772	555 363
(Increase) / decrease in inventory	(34 413)	0
Increase / (decrease) in provisions	0	0
	<u>(375 066)</u>	<u>3 544 528</u>

**MAKHUDUTHAMAGA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)**

	<b>2007</b>	<b>2006</b>
	R	R
<b>13 (INCREASE) / DECREASE IN CASH ON HAND</b>		
Cash and investments balance: beginning of the year	13 694 571	945 685
Less: Cash balance: end of the year	<u>4 015 231</u>	<u>12 663 959</u>
	<u>9 679 340</u>	<u>(11 718 274)</u>
<b>14 RETIREMENT BENEFITS</b>		
	<u>3 560 293 964</u>	<u>3 560 293 964</u>

Personnel are members of the Municipal Pension Fund. The above amount is based on the whole Fund annual financial statement as at 28 February 2006.

<b>15 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
Claim and obligations outstanding at year end	-	-
Guarantees by the Makhuduthamaga Local Municipality	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

<b>16 COUNCILLORS ALLOWANCE</b>						
	<b>Basic</b>	<b>Travel</b>	<b>Housing</b>	<b>Pension</b>	<b>Personal</b>	<b>TOTALS</b>
Mayor	259 818	98 792	0	38 973	0	397 582
Speaker	207 855	79 033	0	31 178	0	318 066
Exco.	1 139 968	433 423	0	170 996	0	1 744 387
Councillors	4 015 271	1 526 290	0	602 293	0	6 143 854
<b>TOTAL</b>	<b>5 622 911</b>	<b>2 137 538</b>	<b>0</b>	<b>843 439</b>	<b>0</b>	<b>8 603 889</b>

	<b>2007</b>	<b>2006</b>
<b>17 AUDIT FEES</b>		
Audit fees is made up of the following amounts paid during the year		#####
Statutory audit fees	<u>643 461</u>	<u>500 303</u>
<b>18 MEDICAL EXPENSES</b>		
Medical aid contribution is made up of the following amounts		
Councillors	-	51 215
Employees	<u>137 808</u>	<u>22 237</u>
	<u>137 808</u>	<u>73 451</u>

**MAKHUDUTHAMAGA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)**

**19. OPERATING LEASE COMMITMENTS**

Makhuduthamaga Municipality has the following operating lease agreements.

**Agreement 1: Panasonic**

A telephone switchboard system is leased at monthly instalments of R2123.82, payable in advance. The rentals are subject to escalation at 15% per annum on each anniversary of the commencement of the rental agreement. The period of the lease is from 1 March 2005 to 28 February 2010. Ownership of this equipment will not transfer to the municipality at the end of the lease term. The future minimum lease payments are:

<b>Up to 1 year</b>	<b>1 to 5 years</b>
<b>R</b>	<b>R</b>
35 390	70 415

**Agreement 2: Fintech and Datamaster**

Fintech is the lessor and Datamaster is the service provider. Xerox digital copier is leased and serviced at monthly instalments of R8460.00, payable in advance. The rentals are subject to escalation by 10% per annum. The period of the lease is from 1 December 2004 to 30 November 2009. Ownership of this equipment will not transfer to the municipality at the end of the lease term. The future minimum lease payments are:

<b>Up to 1 year</b>	<b>1 to 5 years</b>
<b>R</b>	<b>R</b>
130 005	204 937

**Agreement 3: Nashua**

Mobile telephones are leased at monthly unspecified instalments payable in arrear. The period of the lease is from 1 April 2005 to 31 March 2007. Ownership of the cell phones will transfer to the municipality at the end of the lease term.

<b>MAKHUDUTHAMAGA MUNICIPALITY</b> <b>APPENDIX A</b> <b>STATUTORY FUNDS, RESERVES AND PROVISIONS</b>						
	Balance at 30 June 2006	Contributions during the year	Interest on investments	Other revenue	Expenditure during the year	Balance at 30 June 2007
<b>RESERVES</b>						
Leave Reserve Fund	332 927	-	-	-	-	332 927
Non Distributable Reserve	208 418	-	-	-	-	208 418
Provision of Bad debts	-	-	-	-	-	-
	<b>541 345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541 345</b>
<b>TRUST FUNDS</b>						
						-
CMIP Funds:	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>541 345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541 345</b>

MAKHUDUTHAMAGA MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 30 June 2005	Received during the year	Redeemed or written off during the year	Balance 30 June 2006
	R	R	R	R
Government loans	-	-	-	-
Other loans	-	-	-	-
<b><i>No outstanding loans at year-end</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# MAKHUDUTHAMAGA MUNICIPALITY

## APPENDIX C ANALYSIS OF FIXED ASSETS

Expenditure 2005/2006 R	SERVICE	Balance at 30 June 2006 R	Expenditure 2006/2007 R	Current Depreciation R
14 688 422	RATE AND GENERAL SERVICES	33 388 801	25 511 465	1 898 351
12 183 673	COMMUNITY SERVICES	15 342 860	20 412 228	683 442
125 310	Public Works	1 541 319	-	19 395
-	Estates	-	-	-
11 278 465	Roads and Storm water	12 523 843	20 412 228	636 709
-	Streetlights	-	-	-
779 898	Council's General	1 190 274	-	17 308
-	Municipal Manager	87 424	-	10 031
-	Traffic Services	-	-	-
2 504 750	SUBSIDISED SERVICES	6 240 723	5 099 237	461 384
-	Civil Protection	-	-	-
2 504 750	Municipal Buildings	6 240 723	5 099 237	461 384
-	Parks, Recreation and Cemetery	-	-	-
-	Abattoir	-	-	-
-	ECONOMIC SERVICES	11 805 218	-	753 525
-	Sanitation and water services	11 805 218	-	753 525
13 973 432	TRADING SERVICES	25 796 902	7 003 516	1 223 731
329 257	Electricity	1 721 040	2 721 340	10 975
13 644 175	Water	24 075 862	4 282 176	1 212 756
28 661 854	TOTAL FIXED ASSETS	59 185 703	32 514 982	3 122 082
-		7 900 334	-	-
-	Loans redeemed and advances repaid	7 900 334	-	-
-	Contributions from operating income	-	-	-
-	Grants and subsidies	-	-	-
-	Reserves	-	-	-
28 661 854	NET FIXED ASSETS	51 285 369	32 514 982	3 122 082

0



Balance at 30 June 2007
R
57 001 915
35 071 646
1 521 924
-
32 299 362
-
1 172 967
77 394
-
10 878 576
-
10 878 576
-
-
11 051 693
11 051 693
31 576 687
4 431 405
27 145 283
88 578 602
7 900 334
7 900 334
-
-
-
80 678 268

**MAKHUDUTHAMAGA MUNICIPALITY**

**APPENDIX D  
ANALYSIS OF OPERATING REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2005**

Actual 2006		Actual 2007	Budget 2007
R		R	R
	<b>REVENUE</b>		
62 102 373	Government and Provincial Grants and Subsidies	81 257 038	103 384 996
-	Operating Revenue:	-	
-	Assessment rates	-	
22 659	Revenue from: Electricity	-	-
2 124 106	Revenue from: Water	3 584 349	2 000 000
2 303 911	Revenue from traffic and licencing	5 110 649	-
-	Interest received	-	
580 155	Discount received	3 481 530	8 822 101
67 133 204	Sundry revenue	93 433 567	114 207 096
23 585 604	<b>EXPENDITURE</b>	50 223 306	114 207 096
7 090 806	Salaries and allowances	14 995 173	17 786 795
10 774 347	General expenses	21 324 026	19 098 261
470 485	Repairs and maintenance	224 456	750 000
-	Interest paid	-	
-	Bad Debts	-	
1 682 340	Depreciation	3 122 082	
-	Traffic expenditure	-	
3 134 978	Contributions to fixed assets	8 589 035	75 470 866
432 648	Contribution to funds	1 968 533	1 101 175
-		-	-
23 585 604	Gross expenditure	50 223 306	114 207 096
-	Less: Amounts charged out	-	-
23 585 604	Net expenditure	50 223 306	114 207 096

# MAKHUDUTHAMAGA MUNICIPALITY

## APPENDIX E

### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2 006 Actual Revenue	2 006 Actual Expenditure	2 006 Surplus / (Deficit)		2 007 Actual Revenue	2 007 Actual Expenditure	2 007 Surplus / (Deficit)
R	R	R		R	R	R
67 110 545	20 214 138	46 896 407	<b>RATE AND GENERAL SERVICES</b>	93 433 568	45 553 962	47 879 605
67 110 545	20 214 138	46 896 407	<b>COMMUNITY SERVICES</b>	93 433 568	45 548 134	47 885 434
-	-	-	General Administration	1 189	4 391 379	(4 390 190)
140 315	12 398 836	(12 258 521)	Council's General Expenses	41 222	12 982 666	(12 941 444)
62 102 373	4 203 202	57 899 171	Technical services, Roads and bridges	11 422 256	7 383 028	4 039 229
-	-	-	Human capital	-	405 555	( 405 555)
-	842 423	( 842 423)	Planning and Development	-	703 457	( 703 457)
-	-	-	Housing	-	64 533	( 64 533)
2 743 751	2 769 678	( 25 927)	Municipal Manager	10 210	1 075 921	(1 065 711)
2 124 106	-	2 124 106	Finance and Fixed Properties	80 850 708	16 715 863	64 134 845
-	-	-	Traffic and community services	1 107 982	1 825 730	( 717 749)
-	-	-	<b>SUBSIDISED SERVICES</b>	-	-	-
-	-	-	Library	-	-	-
-	-	-	Parks, Estates and Cemeteries	-	-	-
-	-	-	<b>ECONOMIC SERVICES</b>	-	5 829	( 5 829)
-	-	-	Cleansing/Refuse Removal	-	-	-
-	-	-	Sewerage	-	5 829	( 5 829)
22 659	3 371 466	(3 348 807)	<b>TRADING SERVICES</b>	( 0)	4 669 344	(4 669 344)
-	-	-	Electricity	-	827 953	( 827 953)
22 659	3 371 466	(3 348 807)	Specific Water Service	( 0)	3 841 390	(3 841 391)
67 133 204	23 585 604	43 547 600	<b>TOTAL</b>	93 433 567	50 223 306	43 210 261
-	-	-	Appropriations for the year (Refer to note 10)	-	-	(14 406 909)
-	-	43 547 600	Net surplus / (deficit) for the year	-	-	28 803 352
-	-	65 807 861	Accumulated surplus / (deficit) at the beginning of the year	-	-	109 355 461
-	-	109 355 461	<b>ACCUMULATED SURPLUS AT THE END OF THE YEAR</b>	-	-	138 158 813

**MAKHUDUTHAMAGA MUNICIPALITY**  
**APPENDIX F : STATISTICAL INFORMATION**

		<b>2006/7</b>	<b>2005/6</b>	<b>2004/5</b>
<b>a</b>	<b>General Statistics</b>			
	i Population of Makuduthamaga	300 000	300 000	300 000
	ii Number of Properties			
	Commercial	-	-	0
	Residential	-	-	0
	Industrial	-	-	0
	State	-	-	0
	Other	-	-	0
	iii Number of employees	40	42	23